

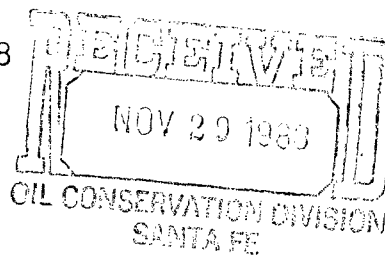
P. O. BOX 2219

ZIA ENERGY, INC.

PHONE (505) 393-2937

HOBBS, NEW MEXICO 88240

November 23, 1988



Department of Energy & Minerals
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Attention: Mr. David R. Catanach
Engineer

Re: Request for Administrative
Approval for Downhole Commingling
For B J No. 1 - P well, located
SE/4 - SE/4 17-22S-37E
Lea County, New Mexico

Dear Mr. Catanach:

In a telephone conversation with you on Monday, November 21, 1988, we discussed the above described well. By way of review for you, this well was drilled and completed by Millard Deck in February, 1974. We have enclosed a copy of the OCD approved C-105 and C-104. From this you will note that the perforated interval was given as 3473' - 3863'. These perforations includes portions of the Queen, Grayburg, and San Andres formations. This means that the Eumont, Penrose-Skelly and Eunice San Andres Southwest fields have all been commingled in the well bore from the time of initial completion. This situation came to our attention after we purchased the well from Warrior, Inc., who was successor to Millard Deck. We request your cooperation in obtaining administrative approval for downhole commingling.

This well became uneconomical for Warrior to produce and the well was shut-in in March, 1986. The well has not produced since that time. We hope to get your approval to downhole commingle before we return the well to producing status.

Zia Energy, Inc., P.O. Box 2219, Hobbs, N.M. 88240, is requesting administrative approval to downhole commingle production from the B J No. 1 well and to store the production in our surface facility. The B J lease, well No. 1, located 660' FSL and 660' FEL of Section 17, Township 22 South, Range 37 East, Lea County, New Mexico, has perforations which includes portions of the Eumont, Penrose-Skelly and Eunice San Andres Southwest fields.

A plat of the area has been included showing the acreage dedicated to the B J No. 1 and the ownership of all offsetting leases.

Your Rule 303 (C - Downhole Commingling) sets forth information that should be submitted. Rule 303 - C - 2 (d) requests a current C-116, 24 hour productivity test. Since this well has not been produced for 2 1/2 years, we have enclosed the last C-116 submitted in 1985.

Rule 303 C - 2 - (e) requests a production decline curve for each zone. A decline curve is submitted but it is for the composite production from all three zones. We have enclosed Form C-105 which gives the only available completion history. A tabulation of the annual production has been included.

Rule 303 C - 2 - (f) requests on estimated bottom-hole pressure for each artificially lifted zone. As noted on the C-105 a pump was installed in the initial completion. Based on the casing pressure and fluid level after being shut-in for 2 1/2 years, it is estimated the bottomhole pressure is 575 psig.

Rule 303 C - 2 - (g) requests information concerning fluid characterists. No fluids are presently available from this well. However, a check made of water produced from nearby wells in each of the three fields indicate a potential for minor calcium carbonate scaling. This should not be a problem due to the solubility of the calcium carbonate in HCL acid.

Rule 303 C - 2 - (h) requests information about the value of the commingled production. Production from all three zones is priced on the same basis for both oil and gas, therefore the value of oil and gas produced and sold from the commingled stream will be the same as if the streams were produced and sold separately. It should be noted that by your approval of continued downhole commingling production, the economic life of the well can be re-established and extended, thereby increasing recovery and revenue from all three formations.

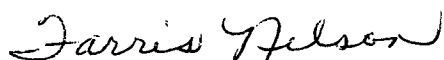
Rule 303 C - 2 - (i) requests a formula for allocation of production to each of the three zones. Since it would not be economically practical at this time to get production data from each zone separately, we suggest that an arbitrary formula be used and that the formula be based on estimated net productive feet, production history of nearby wells that have produced one or more of these three zones and the estimated bottom - hole pressure. The Queen perforations from 3473' to 3620' are estimated to have 25' of net pay but this zone has been drained by offset producing wells to a much greater extent than the other two zones. The Grayburg perforations from 3680' to 3772' is estimated to have 15' of net pay. Offsetting wells have resulted in some drainage from the Grayburg. The San Andres perforations from 3812' to 3863' is estimated to have 15' of net pay. The San Andres formation has been produced the least of these three formations. Using the information that is available to us, we recommend that the Eumont (Queen) be given 20%, the Penrose-Skelly (Grayburg) be given 35% and Eunice San Andres Southwest (San Andres) be given 45% of the oil and gas production. This is the most realistic allocation formula that we can propose considering the information that is available to us.

We have attached a copy of the letter that is being sent to each offset operator. A list of these offset operators and their addresses is also attached.

Our purpose in requesting administrative approval for downhole commingling is to clean up the paperwork on a well we have recently purchased. This completion was approved in 1974 by the OCD, but due to the overlapping perforations, there is a need for approval of the downhole commingling which has been occurring from the beginning. If it were deemed necessary to test these zones separately or to squeeze any of the zones, it would make the well uneconomical and plugging would occur. Then oil and gas reserves would needlessly be left in the ground.

If you have any questions concerning this request, please give us a call.

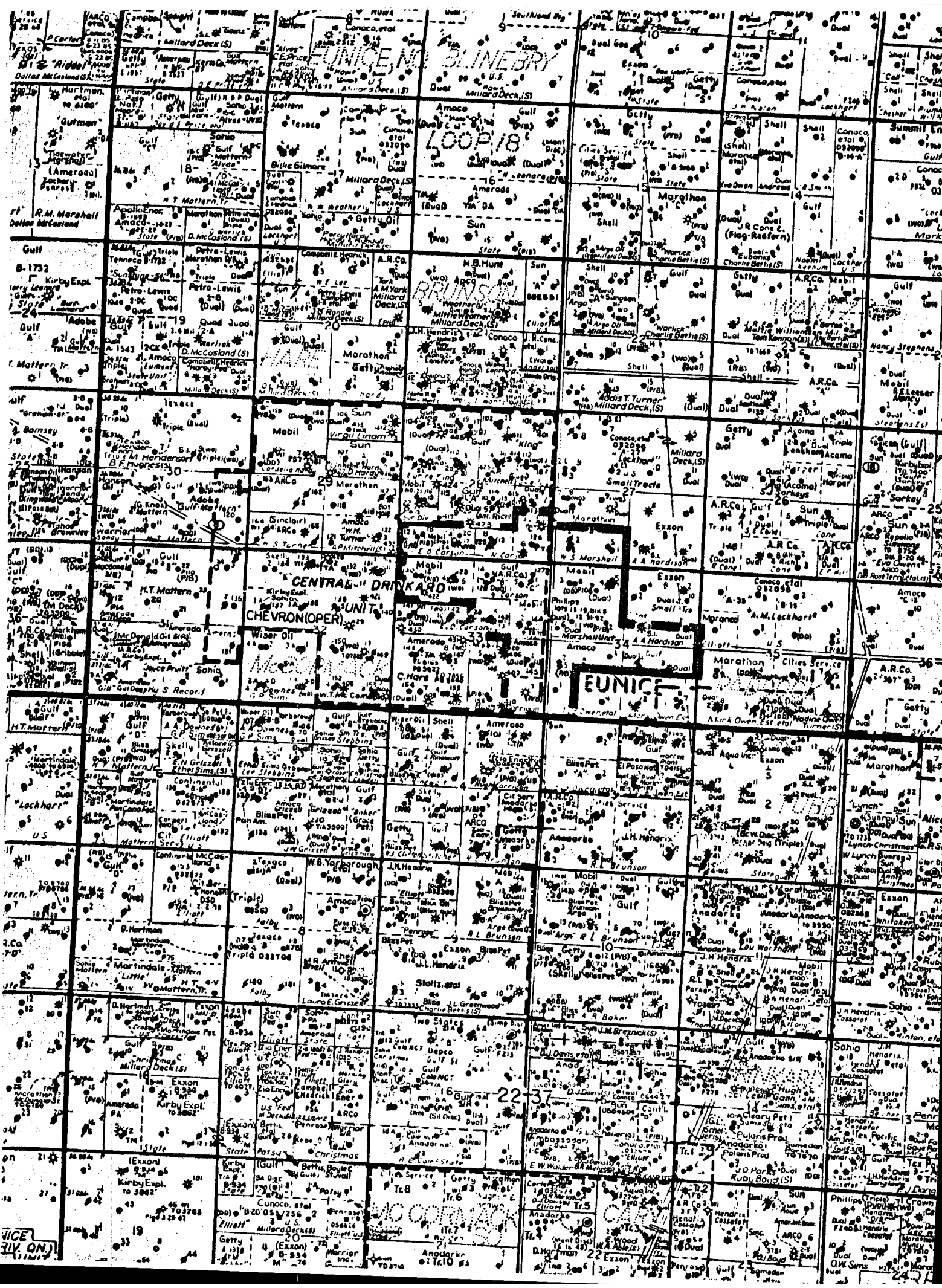
Yours truly,

A handwritten signature in cursive script that reads "Farris Nelson".

Farris Nelson

EXHIBIT "A"

| | | | |
|------------|---|--|---|
| Section 17 | | Section 18 | |
| | Campbell & Hedrick Christmas | Zia Christmas Zia B J | Chevron Cole Anadarko Cole |
| | Bettis, Boyle & Stovall Patsy | Anadarko Langlie Mattix Penrose Sand Unit | |
| Section 20 | | Section 21 | |
| | | | |



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P.O. BOX 2438
SANTA FE, NEW MEXICO 87501

0+1 NMOCDD
1 File
1 California

Form C-116
Revised 10-1-78

GAS-OIL RATIO TESTS

Operator *Warrior, Inc.*

Pool

Eumont Yates Seven Rivers Queen

County

Lea

Address P. O. Box 5315 Hobbs, NM 88241

TYPE OF TEST - (X)

Scheduled ☒

Completion ☐

Special ☐

| LEASE NAME | WELL NO. | LOCATION | | | | DATE OF TEST | TYPE OF TEST | CHOKE SIZE | TBG. PRESS. | DAILY ALLOW-ABLE | LENGTH OF TEST HOURS | PROD. DURING TEST | | | GAS - OIL RATIO CU.FT/BBL |
|-----------------------------------|----------|----------|----|----|----|--------------|--------------|------------|-------------|------------------|----------------------|-------------------|----------------|------------|---------------------------|
| | | U | S | T | R | | | | | | | WATER BBLs | GRAV. OIL BBLs | GAS M.C.F. | |
| Atlantic State BJ Federal D | 1 | K | 3 | 21 | 35 | | T | | | | | | | | |
| | 1 | P | 17 | 22 | 37 | 4-08-85 | P | | | 5 | 24 | 19 | 36.2 | 5 | 16 |
| | 1 | L | 26 | 20 | 36 | 4-10-85 | P | | | 5 | 24 | 5 | 33.6 | 4 | 22 |
| | 2 | E | 26 | 20 | 36 | 4-11-85 | P | | | 2 | 24 | 4 | 33.6 | 2 | 13 |
| | 3 | H | 27 | 20 | 36 | 4-12-85 | P | | | 2 | 24 | 12 | 33.6 | 2 | 28 |
| | 4 | D | 26 | 20 | 36 | 4-13-85 | P | | | 4 | 24 | 2 | 33.6 | 4 | 28 |
| | 5 | M | 26 | 20 | 36 | 4-14-85 | P | | | 8 | 24 | 15 | 33.6 | 8 | 31 |
| | 6 | N | 26 | 20 | 36 | 4-15-85 | P | | | 6 | 24 | 6 | 33.6 | 6 | 44 |
| | 7 | K | 26 | 20 | 36 | 4-16-85 | P | | | 2 | 24 | 20 | 33.6 | 2 | 20 |
| | 8 | F | 26 | 20 | 36 | 4-17-85 | P | | | 2 | 24 | 2 | 33.6 | 2 | 13 |
| | 9 | C | 26 | 20 | 36 | 4-18-85 | P | | | 2 | 24 | 1 | 33.6 | 2 | 13 |
| | 11 | H | 28 | 20 | 36 | 4-19-85 | P | | | 2 | 24 | 2 | 33.6 | 2 | 15 |
| | 12 | A | 27 | 20 | 36 | 4-20-85 | P | | | 2 | 24 | 2 | 33.6 | 2 | 15 |

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowable when authorized by the Division.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific-gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.

Mail original and one copy of this report to the district office of the New Mexico Oil Conservation Division in accordance with Rule 301 and appropriate pool rules.

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

Mohammed Yamin Merchant

Consulting Engineer

(Title)

T.O. 10 1007

Zia Energy, Inc.

B J No. 1

Annual Production Data

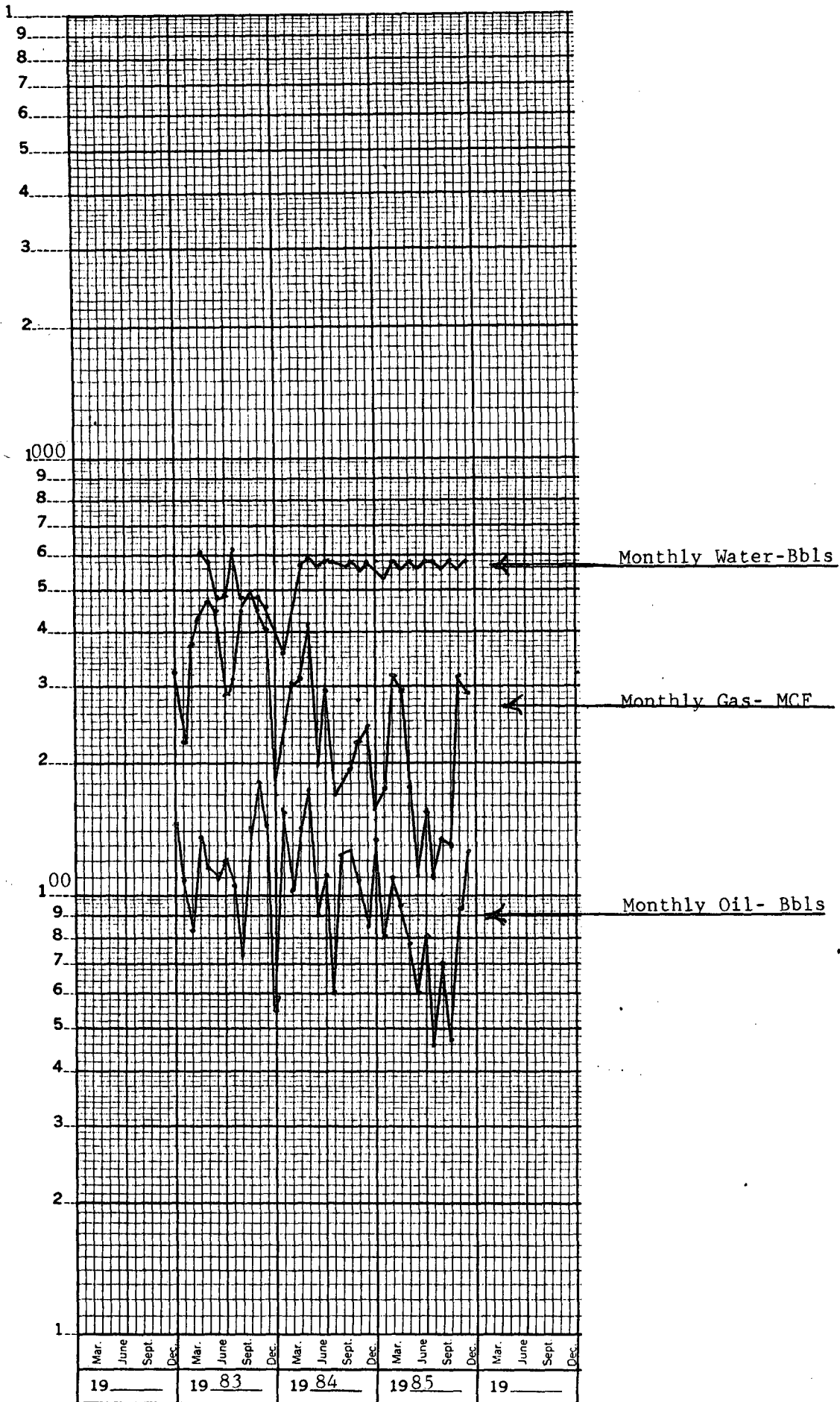
| <u>Year</u> | <u>Annual Oil - Bbls</u> | <u>Average BOPD</u> | <u>Annual Gas - MCF</u> | <u>Average MCFPD</u> | <u>Annual Water - Bbls</u> | <u>Average BWPD</u> |
|-------------|------------------------------|-------------------------|-----------------------------|--------------------------|--------------------------------|-------------------------|
| 1974 | 6325 | 17.3 | 19419 | 64.7 | 5339 | 17.8 |
| 1975 | 4333 | 11.9 | 23632 | 64.7 | 5840 | 16.0 |
| 1976 | 3264 | 8.9 | 12492 | 34.2 | 5296 | 14.5 |
| 1977 | 3616 | 9.9 | 12074 | 33.1 | 1176 | 3.2 |
| 1978 | 2172 | 5.9 | 13999 | 38.4 | 320 | 0.9 |
| 1979 | 1598 | 4.4 | 11942 | 32.7 | 277 | 0.8 |
| 1980 | 1525 | 4.2 | 13796 | 37.8 | - | - |
| 1981 | 1447 | 3.9 | 12673 | 34.7 | 300 | 0.8 |
| 1982 | 1313 | 3.6 | 6059 | 16.6 | - | - |
| 1983 | 1460 | 4.0 | 4675 | 12.8 | 4570 | 12.5 |
| 1984 | 1327 | 3.6 | 2444 | 6.7 | 5940 | 16.3 |
| 1985 | 1021 | 2.8 | 2144 | 5.9 | 6935 | 19.0 |

Monthly Production Date - 1985

| <u>Month</u> | <u>Oil - Bbls</u> | <u>Gas - MCF</u> | <u>Water - Bbls</u> |
|--------------|-------------------|------------------|---------------------|
| Jan. | 135 | 120 | 589 |
| Feb. | 79 | 176 | 532 |
| Mar. | 110 | 317 | 589 |
| Apr. | 95 | 298 | 570 |
| May | 78 | NR | 589 |
| Jun. | 60 | 177 | 570 |
| Jul. | 80 | 155 | 589 |
| Aug. | 46 | 64 | 589 |
| Sep. | 70 | 100 | 570 |
| Oct. | 47 | 130 | 589 |
| Nov. | 93 | 319 | 570 |
| Dec. | 128 | 288 | 589 |

ZIA ENERGY, INC.

B J No. 1



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

| | | |
|------------------------|-----|--|
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| LAND OFFICE | | |
| TRANSPORTER | OIL | |
| | GAS | |
| OPERATOR | | |
| PROMOTION OFFICE | | |

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-104
Revised 10-01-78
Format 06-01-83
Page 1

REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

I. Operator Zia Energy, Inc.

Address P.O. Box 2219, Hobbs, NM 88240

Reason(s) for filing (Check proper box)

| | | |
|---|---|-------------------------------------|
| <input type="checkbox"/> New Well | Change in Transporter of: | |
| <input type="checkbox"/> Recompletion | <input type="checkbox"/> Oil | <input type="checkbox"/> Dry Gas |
| <input checked="" type="checkbox"/> Change in Ownership | <input type="checkbox"/> Casinghead Gas | <input type="checkbox"/> Condensate |

Other (Please explain) _____

If change of ownership give name and address of previous owner Warrior, Inc., 9401 Wilshire Blvd.-Suite 570, Beverly Hills CA 90212-2928

II. DESCRIPTION OF WELL AND LEASE

| | | | | |
|--|----------------------|---|---|---------|
| Lease Name <u>B J</u> | Well No. <u>1</u> | Pool Name, including Formation <u>Eumont - Y, SR, Qu</u> | Kind of Lease State, Federal or Fee <u>Fee</u> | Lease N |
| Location | | | | |
| Unit Letter <u>P</u> ; <u>660</u> Feet From The <u>East</u> Line and <u>660</u> Feet From The <u>South</u> | | | | |
| Line of Section <u>17</u> Township <u>22 South</u> Range <u>37 East</u> , NMPM, <u>Lea</u> Count | | | | |

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

| | |
|--|--|
| Name of Authorized Transporter of Oil <input checked="" type="checkbox"/> or Condensate <input type="checkbox"/> | Address (Give address to which approved copy of this form is to be sent) |
| <u>Texas New Mexico Pipe Line</u> | <u>P.O. Box 2528, Hobbs, NM 88240</u> |
| Name of Authorized Transporter of Casinghead Gas <input checked="" type="checkbox"/> or Dry Gas <input type="checkbox"/> | Address (Give address to which approved copy of this form is to be sent) |
| <u>Texas Producing, Inc.</u> | <u>P.O. Box 3000, Tulsa, OK 74102</u> |
| If well produces oil or liquids, give location of tanks. | is gas actually connected? When |
| <u>P</u> <u>17</u> <u>22S</u> <u>37E</u> | <u>Yes</u> <u>2/21/74</u> |

If this production is commingled with that from any other lease or pool, give commingling order number: _____

NOTE: Complete Parts IV and V on reverse side if necessary.

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given is true and complete to the best of my knowledge and belief.

M J Nelson
(Signature)

Engineer

(Title)

11/23/88

(Date)

OIL CONSERVATION DIVISION

APPROVED _____, 19 _____

BY _____

TITLE _____

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deeper well, this form must be accompanied by a tabulation of the deviate tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for all able on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of own well name or number, or transporter, or other such change of condition.
Separate Forms C-104 must be filed for each pool in multi-completed wells.

| | | | |
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| TRANSPORTER | OIL | | |
| | GAS | | |
| OPERATOR | | | |
| PRORATION OFFICE | | | |

NEW MEXICO OIL CONSERVATION COMMISS
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form C-104
Supersedes Old C-104 and C-110
Effective 1-1-65

| | |
|--|---|
| Operator MILLARD DECK | |
| Address P. O. Box 1047, Eunice, New Mexico 88231 | |
| Reason(s) for filing (Check proper box) | Other (Please explain) |
| New Well <input checked="" type="checkbox"/> | Change in Transporter of: |
| Recompletion <input type="checkbox"/> | Oil <input type="checkbox"/> Dry Gas <input type="checkbox"/> |
| Change in Ownership <input type="checkbox"/> | Casinghead Gas <input type="checkbox"/> Condensate <input type="checkbox"/> |

If change of ownership give name and address of previous owner _____

II. DESCRIPTION OF WELL AND LEASE

| | | | | |
|---------------------------|----------------------|---|---|-----------|
| Lease Name B J | Well No. 1 | Pool Name, Including Formation Eumont Queen | Kind of Lease State, Federal or Fee Fee | Lease No. |
| Location | | | | |
| Unit Letter P | 660 | Feet From The East Line and 660 | Feet From The South | |
| Line of Section 17 | Township 22S | Range 37E | NMPM, Lea | County |

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

| | | |
|---|--|-----------------|
| Name of Authorized Transporter of Oil <input type="checkbox"/> or Condensate <input type="checkbox"/> Texas New Mexico Pipe Line Company | Address (Give address to which approved copy of this form is to be sent) P. O. Box 1510, Midland, Texas 79701 | |
| Name of Authorized Transporter of Casinghead Gas <input checked="" type="checkbox"/> or Dry Gas <input type="checkbox"/> Skelly Oil Company | Address (Give address to which approved copy of this form is to be sent) P. O. Box 1650, Tulsa, Oklahoma 74102 | |
| If well produces oil or liquids, give location of tanks. | Unit P | Sec. 17 |
| | Twp. 22S | Rge. 37E |

If this production is commingled with that from any other lease or pool, give commingling order number: _____

V. COMPLETION DATA

| | | | | | | | | |
|---|--|---------------------------------|--|----------|--------|-----------|-------------|--------------|
| Designate Type of Completion - (X) | Oil Well <input checked="" type="checkbox"/> | Gas Well | New Well <input checked="" type="checkbox"/> | Workover | Deepen | Plug Back | Same Res'v. | Diff. Res'v. |
| Date Spudded 2-3-74 | Date Compl. Ready to Prod. 2-25-74 | Total Depth 3950' | P.B.T.D. 3900' | | | | | |
| Elevations (DF, RKB, RT, GR, etc.) 3371' GL | Name of Producing Formation Queen | Top Oil/Gas Pay 3473' | Tubing Depth 3898' | | | | | |
| Perforations 3473' ---- 3863' | Depth Casing Shoe 3900' | | | | | | | |
| TUBING, CASING, AND CEMENTING RECORD | | | | | | | | |
| HOLE SIZE 12 1/4" | CASING & TUBING SIZE 8 5/8" | DEPTH SET 318' | SACKS CEMENT 200 Sacks, 25 Sacks | | | | | |
| | | | circulated | | | | | |
| 7 7/8" | 5 1/2" | 3950' | 365 Sacks | | | | | |

VI. TEST DATA AND REQUEST FOR ALLOWABLE OIL WELL (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

| | | | |
|---|---------------------------------|--|----------------------------|
| Date First New Oil Run To Tanks 2-21-74 | Date of Test 2-26-74 | Producing Method (Flow, pump, gas lift, etc.) Pump | |
| Length of Test 24 hours | Tubing Pressure ----- | Casing Pressure ----- | Choke Size ----- |
| Actual Prod. During Test | Oil-Bbls. 87 | Water-Bbls. 0 | Gas-MCF 300 |

GAS WELL

| | | | |
|----------------------------------|---------------------------|---------------------------|-----------------------|
| Actual Prod. Test-MCF/D | Length of Test | Bbls. Condensate/MMCF | Gravity of Condensate |
| Testing Method (pilot, back pr.) | Tubing Pressure (Shut-in) | Casing Pressure (Shut-in) | Choke Size |

CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Millard Deck
(Signature)
Owner-Operator

February 28, 1974
(Date)

OIL CONSERVATION COMMISSION

APPROVED _____, 19____

BY Joe D. King

TITLE SUBSTANTIAL COMPLIANCE

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Forms C-104 must be filed for each pool in multiply

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Form C-105
Revised 1-1-65

NEW MEXICO OIL CONSERVATION COMMISSION
WELL COMPLETION OR RECOMPLETION REPORT AND LOG

| | |
|--------------------------------|---|
| 5a. Indicate Type of Lease | |
| State <input type="checkbox"/> | Fee <input checked="" type="checkbox"/> |
| 5. State Oil & Gas Lease No. | |

1a. TYPE OF WELL

OIL WELL ☒ GAS WELL ☐ DRY ☐ OTHER ☐

7. Unit Agreement Name

8. Farm or Lease Name

9. Well No.

10. Field and Pool, or Wildcat
Eumont

12. County
Lea

19. Elev. Casinghead
3371' GL

25. Was Directional Survey Made
No

27. Was Well Cored
No

b. TYPE OF COMPLETION

NEW WELL ☒ WORK OVER ☐ DEEPEN ☐ PLUG BACK ☐ DIFF. RESVR. ☐ OTHER ☐

2. Name of Operator

MILLARD DECK

3. Address of Operator

P. O. Box 1047, Eunice, New Mexico 88231

4. Location of Well

UNIT LETTER **P** LOCATED **660** FEET FROM THE **East** LINE AND **660** FEET FROM

THE **South** LINE OF SEC. **17** TWP. **22S** RGE. **37E** NMMPM

15. Date Spudded **2-3-74** 16. Date T.D. Reached **2-14-74** 17. Date Compl. (Ready to Prod.) **2-21-74** 18. Elevations (DF, RKB, RT, GR, etc.) **3386' DF**

20. Total Depth **3950'** 21. Plug Back T.D. **3900'** 22. If Multiple Compl., How Many **No** 23. Intervals Drilled By Rotary Tools **0-3950'** Cable Tools **None**

24. Producing Interval(s), of this completion - Top, Bottom, Name

3473' -- 3863' Queen

26. Type Electric and Other Logs Run

Gamma Ray Neutron

28. CASING RECORD (Report all strings set in well)

| CASING SIZE | WEIGHT LB./FT. | DEPTH SET | HOLE SIZE | CEMENTING RECORD | AMOUNT PULLED |
|-------------|------------------|-----------|-----------|------------------|---------------|
| 8 5/8" | 24# | 318' | 12 1/2" | 200 Sacks | Circulated 25 |
| 5 1/2" | 14#, 15.5# & 17# | 3950' | 7 7/8" | 365 Sacks | |

29. LINER RECORD

| SIZE | TOP | BOTTOM | SACKS CEMENT | SCREEN | SIZE | DEPTH SET | PACKER SET |
|------|-----|--------|--------------|--------|--------|-----------|------------|
| | | | | | 2 3/8" | 3700' | None |

31. Perforation Record (Interval, size and number)

3473' -- 3863' 34 Holes 0.4" Diameter

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

| DEPTH INTERVAL | AMOUNT AND KIND MATERIAL USED |
|----------------|--|
| 3473-3863' | Acidized with 1500 gallons 15% Regular acid, 50,000 gallons gelled brine with 75,000 #s 20/40 Sand |

33. PRODUCTION

| | | | | | | | |
|---|-------------------------------|---|--------------------------------------|-------------------------|--------------------------|--|--------------------------------|
| Date First Production 2-21-74 | | Production Method (Flowing, gas lift, pumping - Size and type pump) Pump 2" X 1 1/2" X 12' Insert | | | | Well Status (Prod. or Shut-in) Producing | |
| Date of Test 2-26-74 | Hours Tested 24 | Choke Size -- | Prod'n. For Test Period 87 | Oil - Bbl. 87 | Gas - MCF 300 | Water - Bbl. 0 | Gas - Oil Ratio 3448 |
| Flow Tubing Press. --- | Casing Pressure --- | Calculated 24-Hour Rate 87 | Oil - Bbl. 87 | Gas - MCF 300 | Water - Bbl. 0 | Oil Gravity - API (Corr.) 35.2 | |

34. Disposition of Gas (Sold, used for fuel, vented, etc.)

Vented pending Skelly pipeline Connection

Test Witnessed By

A. O. Smith

35. List of Attachments

Inclination Survey

36. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief.

SIGNED Millard Deck

TITLE Owner-Operator

DATE 2-28-74

P. O. BOX 2219

ZIA ENERGY, INC.

PHONE (505) 393-2937

HOBBS, NEW MEXICO 88240

November 23, 1988

Andarko Production Company
P.O. Box 806
Eunice, New Mexico 88231

Re: Administrative Approval
For Downhole Commingling
B J No.1 located in
SE/4 - SE/4, 17-22S-37E
Lea County, New Mexico

Gentlemen:

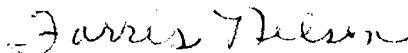
Zia Energy, Inc. has petitioned the Oil Conservation Commission to grant administrative approval for downhole commingling for the above described well.

Zia purchased the Warrior, Inc. working interest in the B J No.1 well effective with November 1, 1988. This well was drilled by Millard Deck and completed in February, 1974. At the time of initial completion the well was perforated from 3473' to 3863'. The C-105 (Well Completion Form) and C-104 (Request For Allowable Form) were both filed by Deck and approved by the OCD, reflecting the perforated interval being 3473' to 3863'. The well was produced through these perforations from February, 1974 to March 1986 and it was shut-in as uneconomical to produce on that date.

Zia discovered the perforations as filed and approved included a portion of the Eumont (Queen). Penrose-Skelly (Grayburg) and Eunice San Andres Southwest (San Andres) fields to be covered by the perforations. The well has been downhole commingled from the beginning. It is our purpose now to secure OCD approval for the downhole commingling, so that the record and well bore conditions will abide by OCD rules and regulation. No additional perforations are proposed.

This letter is simply to inform you of our application.

Yours truly,



Farris Nelson

P. O. BOX 2219

ZIA ENERGY, INC.

PHONE (505) 393-2937

HOBBS, NEW MEXICO 88240

November 23, 1988

Campbell & Hedrick
P.O. Box 401
Midland, Texas 79702

Re: Administrative Approval
For Downhole Commingling
B J No.1 located in
SE/4 - SE/4, 17-22S-37E
Lea County, New Mexico

Gentlemen:

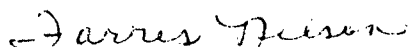
Zia Energy, Inc. has petitioned the Oil Conservation Commission to grant administrative approval for downhole commingling for the above described well.

Zia purchased the Warrior, Inc. working interest in the B J No.1 well effective with November 1, 1988. This well was drilled by Millard Deck and completed in February, 1974. At the time of initial completion the well was perforated from 3473' to 3863'. The C-105 (Well Completion Form) and C-104 (Request For Allowable Form) were both filed by Deck and approved by the OCD, reflecting the perforated interval being 3473' to 3863'. The well was produced through these perforations from February, 1974 to March 1986 and it was shut-in as uneconomical to produce on that date.

Zia discovered the perforations as filed and approved included a portion of the Eumont (Queen). Penrose-Skelly (Grayburg) and Eunice San Andres Southwest (San Andres) fields to be covered by the perforations. The well has been downhole commingled from the beginning. It is our purpose now to secure OCD approval for the downhole commingling, so that the record and well bore conditions will abide by OCD rules and regulation. No additional perforations are proposed.

This letter is simply to inform you of our application.

Yours truly,



Farris Nelson

P. O. BOX 2219

ZIA ENERGY, INC.

PHONE (505) 393-2937

HOBBS, NEW MEXICO 88240

November 23, 1988

Chevron USA, Inc.
P.O. Box 670
Hobbs, New Mexico 88240

Re: Administrative Approval
For Downhole Commingling
B J No.1 located in
SE/4 - SE/4, 17-22S-37E
Lea County, New Mexico

Gentlemen:

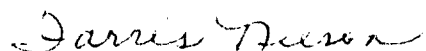
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Yours truly,



Farris Nelson

P. O. BOX 2219

ZIA ENERGY, INC.

PHONE (505) 393-2937

HOBBS, NEW MEXICO 88240

November 23, 1988

Bettis, Boyle, & Stoval
P.O. Box 1240
Graham, Texas 76046

Re: Administrative Approval
For Downhole Commingling
B J No.1 located in
SE/4 - SE/4, 17-22S-37E
Lea County, New Mexico

Gentlemen:

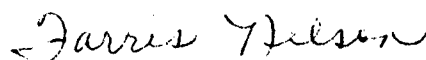
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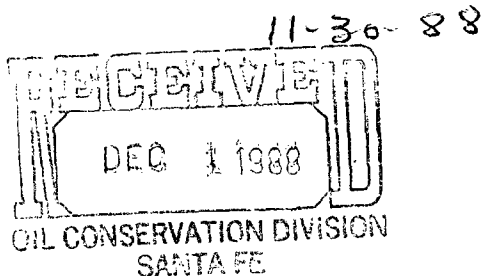


Farris Nelson



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

GARREY CARRUTHERS
GOVERNOR



POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

RE: Proposed:

MC _____
DHC X _____
NSL _____
NSP _____
SWD _____
WFX _____
PMX _____

Gentlemen:

I have examined the application for the:

Zia Energy Inc. BQ #1-P 17-22-37
Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

OK

Yours very truly,

Jerry Sexton
Supervisor, District 1

/ed